



COMMITTEE ON THE BUDGET
MAJORITY CAUCUS
U.S. House of Representatives
106th Congress — Washington, DC



The FY 2000 Budget: Republicans *Continue* Getting the Job Done

GOP Priorities Are Winning Despite Veto on Tax Cuts

28 October 1999

Since taking control of Congress in 1995, Republicans have assembled a remarkable record of achievement. Our major accomplishments have included the following:

- < **Reformed welfare to move millions off the welfare rolls and onto payrolls.**
- < **Balanced the budget for the first time since 1969.**
- < **Provided the first substantive tax cuts since the early 1980s.**
- < **Began repaying the debt held by the public – \$51 billion in fiscal year 1998, \$88 billion in fiscal year 1999 – and we are expected to pay down another \$131 billion in fiscal year 2000.**
- < **Ended the raid on Social Security for the first time since 1960.**

Republican fiscal policy – emphasizing controlled spending, less government, and lower taxes – has moved America from an age of irresponsible deficit spending toward a new era of budget surpluses. Gone are the days when Washington liberals enacted policies and programs without regard to cost or effectiveness. Despite opposition from the Clinton administration and its powerful liberal allies, Republicans set a higher fiscal standard and have held firm for budgets that reflected the values of the American people instead of the desires of Washington spenders.

Accompanying our sound fiscal policy, the industry and enterprise of the American people created balanced budgets and unprecedented economic expansion.

- < **Since January 1995, when our Republican majorities took control of Congress, the American economy has created 12,652,000 new jobs.**
- < **The Dow Jones has more than doubled (3,900 in November 1994; over 10,000 today).**

As Congress puts the finishing touches on the budget for fiscal year 2000, we should review how Republican fiscal priorities have balanced the budget, moved the government toward surpluses, and **ended the 4-decade raid of Social Security.**

The rest of this document contains the following summaries:

- < **Where We Were: Clinton's Higher Taxes, Bigger Government, Endless Red Ink Page 3**
- < **The President's FY 2000 Approach: Still Taxing, Still Spending Social Security Page 4**
- < **The Republican FY 2000 Approach: Save Social Security, Pay Down the Debt Page 5**
- < **Republicans Are Working to Protect The Social Security Surplus Page 6**
- < **Republicans Are Working to Repay the Debt Page 7**
- < **Writing the *Whole* Budget in Black Ink Page 8**
- < **Washington Awash in Taxes: Revenues to Grow 49 Percent Over the Next 10 Years Page 9**

Where We Were: Clinton's Higher Taxes, Bigger Government, Endless Red Ink

- < **February 1993:** President Clinton submits his fiscal priorities in *A Vision of Change for America*. According to CBO, the President's vision called for the following:
 - **\$1.2 trillion in deficit spending through 1998.**
 - **\$337 billion in new and increased taxes over 5 years.**
 - **\$227 billion in new spending.**
 - **A deficit of \$229 billion in fiscal year 1998.**
- < **August 1993:** President Clinton secured narrow passage of his tax bill, H.R. 2264, without one Republican vote in either Chamber. According to CBO the bill **raised taxes by \$241 billion over 5 years.**
- < **November 1994:** Taxpayers elected Republican majorities to both Houses of Congress. Republicans made a commitment to balance the budget, cut taxes, and protect Social Security. Interest rates, which had climbed 2.2 percentage points under the Clinton policies, immediately began to fall.
- < **August 1997:** After 2 years of stalling and posturing, Bill Clinton finally signed the balanced-budget, tax-reduction plan passed by the Republican-led Congress.
- < **September 1999:** At the end of fiscal year 1999, the government had a unified budget *surplus* of \$123 billion.

The President's FY 2000 Approach: Still Taxing, Still Spending Social Security

In February of this year, President Clinton submitted a budget that cut Medicare, increased spending on Washington bureaucracy, and increased taxes on working Americans. Listed below are some of the specifics of the President's proposed fiscal year 2000 budget, based on his July mid-session review:

- < **Social Security:** Spends \$7 billion of the Social Security surplus in fiscal year 2000. In addition, after submitting his July revisions, the President endorsed new spending for agriculture emergencies that increased his total use of the Social Security surplus to \$15 billion.
- < **Taxes:** Increases taxes by \$16 billion in fiscal year 2000, \$84 billion over 5 years.
- < **Fees:** Increases fees by \$4 billion in fiscal year 2000, \$26 billion over 5 years.
- < **Total, taxes and fees:** \$20 billion in 2000; \$110 billion over 5 years; \$238 billion over 10 years.
- < **Debt:** Pays down \$96 billion less in debt than the GOP budget over 5 years; about \$200 billion less than the GOP plan over 10 years.
- < **Medicare:** Cuts Medicare \$11 billion over 5 years; \$27 billion over 10 years.
- < **Spending:** Net spending increase of \$290 billion over 5 years; \$937 billion over 10 years.

Note: 5-year figures are fiscal years 2000-2004; 10-year figures are fiscal years 2000-2009.
Source: Congressional Budget Office, except fee increases, which are OMB estimates for 2000-2004, and House Budget Committee extrapolations for 2005-2009.

The Republican FY 2000 Approach: Save Social Security, Pay Down the Debt

In April of this year, Congress passed its yearly budget resolution. The resolution rejected the President's plan to raise taxes, increase spending, and raid the Social Security surplus. Below are the highlights of the Republican budget resolution as estimated by CBO in July:

- < **Social Security “Safe Deposit Box”:** \$1.9 trillion (payroll taxes and interest) over 10 years locked away for Social Security and, if necessary, Medicare.
- < **Paying Down Debt:** More than \$2.0 trillion over 10 years toward paying down the public debt, about \$200 billion more than Clinton. Our plan reduces the debt from more than \$3.6 trillion in 1999 to \$1.6 trillion in 2009.
- < **Tax Cuts:** \$143 billion for tax relief over 5 years (2000-2004); almost \$800 billion over 10 years (2000-2009).

As provided in the resolution, enacted appropriations fund the following priority areas:

- < **Defense:** \$7.2 billion more in budget authority than Clinton to properly equip and train our men and women in uniform.
- < **Veterans:** A \$1.7-billion increase in fiscal year 2000 for veterans' health care.
- < **Education:** The conference report on the Labor-HHS appropriations bill provides \$37.4 billion in 2000 for quality elementary, secondary, post-secondary, and vocational education – **\$300 million more than Clinton**. Increased funding for special education, Pell Grants, and State flexibility.

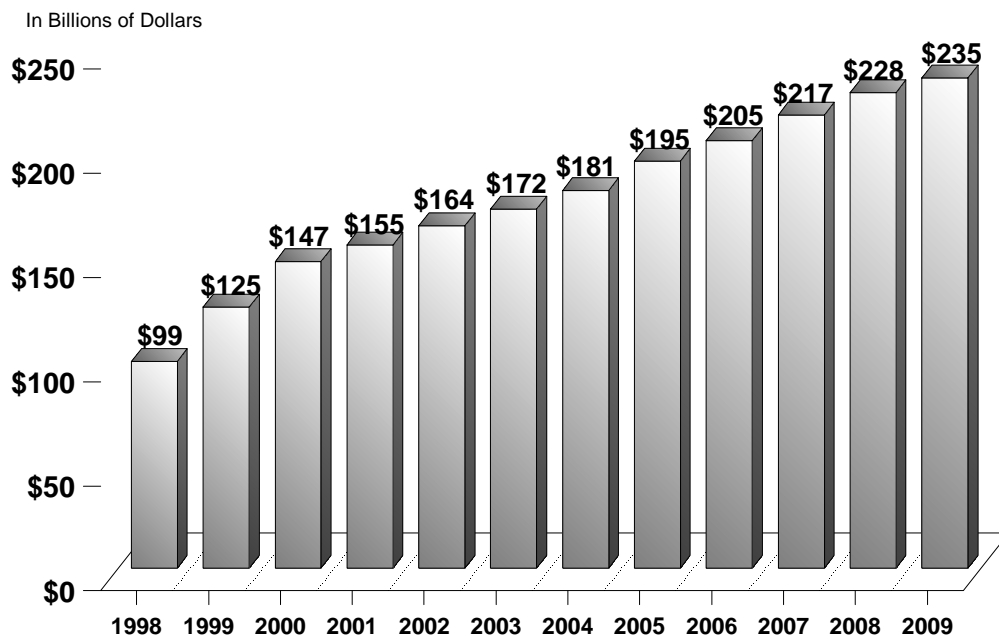
In August, Congress passed a \$792-billion tax cut that ended the death tax, offered relief for working families and married couples, and left about \$2 trillion for debt reduction over 10 years. **The President vetoed the measure, keeping taxes at a post-World War II high**, 20.6 percent of gross domestic product.

Republicans Are Working To Protect The Social Security Surplus

In February, the President submitted a budget that spent about 40 percent of the Social Security surplus. Now, White House officials say they “share” the Republican goal of *not* spending the Social Security surplus (Associated Press, 20 October 1999).

This new position represents a rejection of the President’s own fiscal year 2000 budget (July revision), which would spend \$15 billion of the Social Security surplus in fiscal year 2000. **Republicans, however, promised in our budget resolution that the Social Security surplus would be off limits.** The chart below tracks the burgeoning Social Security surpluses through 2009. Preserving these surpluses must form the backbone of any serious, commonsense effort to reform Social Security. We must never turn the clock back and use these surpluses to finance other government spending.

Social Security Surpluses Continue Growing



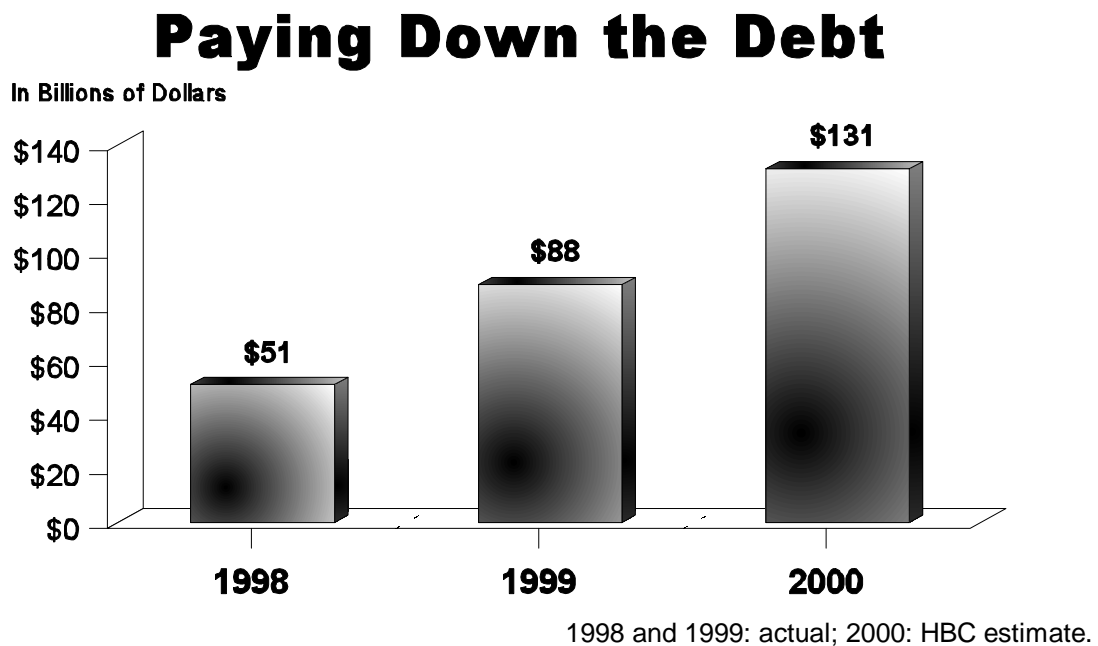
Source: CBO. 1998 and 1999 are actual.

Republicans Are Working to Repay the Debt

History was made in 1998 when – for the first time since 1969, the year Americans first walked on the moon – the Federal Government started paying down the debt held by the public. In 1995, when President Clinton was proposing deficits as far as the eye could see, the Republican Congress went to work to rein in Washington spending and put the government on a course toward fiscal accountability.

The result? The Federal Government has moved from an era of irresponsible deficit spending to an era of surpluses, allowing it to start paying off the public debt. Not only will paying down the public debt bolster Social Security's future, it will ensure that America's economy will remain strong and growing.

The chart below shows how much debt was paid down in the past 2 years and how much is expected to be paid down this year.

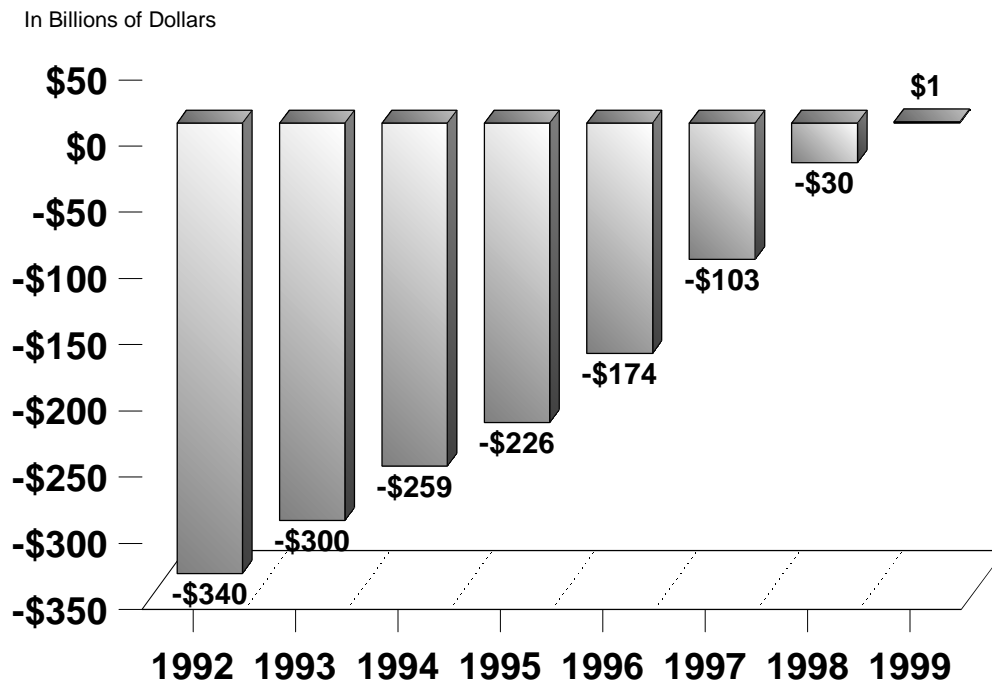


Writing the *Whole* Budget In Black Ink

This October, the Congressional Budget Office estimated that in fiscal year 1999, the Federal Government, for the first time since 1960, had operated with an “on-budget” (non-Social Security) surplus. This means that the Federal Government had spent less money than it had taken in, even excluding the surpluses generated by Social Security. **We had stopped the raid on the Social Security surplus.**

The chart below tracks how the non-Social Security portion of the Federal budget has moved from deficit to surplus. CBO predicts the on-budget surplus will grow substantially in the coming years.

From On-Budget Deficit to Surplus



1992-1998 actual; 1999, CBO estimate.

Washington Awash in Taxes: Revenues to Grow 49 Percent Over the Next 10 Years

In an October 12 letter to Budget Committee Chairman John R. Kasich, CBO Director Dan L. Crippen reported that tax revenues will continue growing at unprecedented rates throughout the next decade. In the past 5 years, revenues have grown 45 percent and CBO projects them to grow another 20 percent over the next 5 years, and 49 percent over the next 10 years.

Dr. Crippen noted that CBO's monthly budget review for September 1999 showed that revenues for fiscal year 1999 were more than \$1.8 trillion, or 20.6 percent of gross domestic product. He called this level of taxation "the highest percentage of GDP in four decades."

Chairman Kasich noted that these findings show that there is no need for additional revenues: "The President has put out a demand for increasing taxes. He will tempt Congress and say that raising taxes is the only answer. Not only must we reject that bad advice, we must hold the line on raiding the Social Security trust fund."

Chairman Kasich added: "CBO's projections prove that Washington is awash in revenues and will remain so well into the future. The last thing we should do is raise taxes."

